

Message Text

CONFIDENTIAL

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64

ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 PA-04 PRS-01 USIA-15

AGR-20 DRC-01 /138 W

----- 024123

R 171900Z DEC 73

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 3116

INFO AMEMBASSY GUATEMALA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

C O N F I D E N T I A L MANAGUA 4850

E. O. 11652: GDS

TAGS: EFIN NU

SUBJECT: INFLATION HITS NICARAGUA

GUATEMALA ALSO FOR ROCAP

1. CENTRAL BANK PRESIDENT ROBERTO INCER TOLD AN EMBOFF DECEMBER 14 THAT A RECENTLY CONCLUDED MARKET BASKET SURVEY IN MANAGUA BY THE BANK SHOWS A COST OF LIVING INCREASE OF 30 PERCENT BETWEEN NOVEMBER 1972 AND SEPTEMBER 1973. THE SURVEY WAS BASED ON THE SPENDING HABITS OF A SAMPLE SIX HUNDRED FAMILIES WITH MONTHLY INCOMES BETWEEN C\$400 (US \$57) AND C\$2,000 (US \$286). HIGHEST INCREASES WERE TO THE COSTS OF FOOD, HOUSING AND TRANSPORTATION.

2. INCER SAID THE RESULTS WERE SHOCKING BUT NOT REALLY SURPRISING. THE GOVERNMENT WILL NOT RELEASE THE FIGURE BUT ATTEMPT TO KEEP IT CONFIDENTIAL. STARTING NEXT YEAR, THE CENTRAL BANK WILL ISSUE PERIODIC CONFIDENTIAL

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COST OF LIVING REPORTS USING DECEMBER 1973 AS THE BASE.

THE HOPE IS THAT THE WORST OF THE INCREASES CAUSED BY
THE PROLONGED DROUGHT, THE EARTHQUAKE AND RECENT PUBLIC
TRANSPORT FARE ADJUSTMENTS WILL BE OVER BY DECEMBER
AND SUBSEQUENT RAISES WILL BE MORE MODERATE.

3. COMMENT: ALTHOUGH WE HAVE NOT SEEN THE ACTUAL
SURVEY, THE EMBASSY IS INCLINED TO ACCEPT THE CENTRAL
BANK FIGURE. THE BANK CERTAINLY HAS THE TECHNICAL
COMPETENCE TO CONDUCT SUCH A SURVEY. MOREOVER, MOST
KNOWLEDGEABLE OBSERVERS HAD BEEN GUESSING IN THE
20 TO 30 PERCENT RANGE. SINCE THE GON DOES NOT WANT
THE 30 PERCENT FIGURE TO BECOME PUBLIC, IN OUR
UNCLASSIFIED REPORTING WE WILL CONTINUE TO USE A
FUZZY ESTIMATE OF "TWENTY PLUS PERCENT" AND WE URGE
THE DEPARTMENT AND OTHERS TO DO THE SAME.
SHELTON

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